

Comparing the Financial Performances of Different Trading Strategies Using BIST100 Index

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Abstract: *In an efficient market, prices of stocks reflect all relevant information. Efficient Market Hypothesis states that it is impossible to find overvalued or undervalued stocks to obtain abnormal profits. In another words the best trading strategy is “buy and hold strategy”. If efficient market hypothesis is true and if BIST is an efficient market then it won’t be possible to obtain abnormal profits by trading with technical analysis rules. In this study three different models are created to compare the profitability of trading rules. First model includes trading rules which are based on moving averages. The second model is buy and hold model. In this model stocks are bought from first day and sold at the end of the test period and return is calculated from that transaction. In the third model random forecasts are used as buy and sell signs. The profits obtained from transactions which are directed by the result of these three models are calculated and compared. Dataset consists from closing prices of BIST100 index between the period 30/11/2011 and 01/07/2013. The period is divided to 10 sequential sub-periods. Overall results indicate that trading rules produced greater return when compared with random forecasts and buy and hold strategy.*

Keywords: *Technical analysis, efficient market hypothesis, random walk model, BIST 100 index, trading algorithm.*

